

omissions and other manipulative and deceptive practices, orchestrated aftermarkets for such securities at artificial prices and thereafter maintained, dominated, controlled and manipulated the markets for such securities. The complaint alleged that in connection with initial public offerings of units of common stock and warrants in 1987 and 1988, Ackerly caused Graystone to engage in tie-in arrangements, such as requiring ratios of aftermarket purchases of common stock to units to be purchased in the offerings; to require that units purchased by customers in the offerings be resold to Graystone at a premium; and thereafter to require that retail sales of the common stock in the immediate aftermarkets take place at increasing, artificial "tick prices" predetermined by Graystone. The Commission also alleged that registration statements filed and prospectuses issued in connection with the offerings were materially false and misleading.

The Commission alleged that Ackerly and certain of the other defendants also engaged in fraudulent selling practices to increase customer purchases of its "house stocks," those stocks which it had taken public and in which it made over-the-counter markets, and to impede sales of those stocks. The complaint also alleged that Ackerly, directly or indirectly, refused to accept sell orders, delayed the processing and execution of sell orders, required brokers to submit buy orders with sell orders and imposed procedural impediments to the prompt execution of sell orders. The Commission also alleged that Ackerly and others engaged in manipulative trading operations in the over-the-counter markets in the house stocks, including directing a periodic "cleaning-up" of the markets through purchases from other market makers, directing the quotations of other market makers and effecting transactions designed to change the quotations of non-cooperating market makers.

The District Court permanently enjoined Ackerly from violating Sections 5 and 17(a) of the Securities Act of 1933 and Sections 10(b) and 15(c) of the Securities Exchange Act of 1934 and Rules 10b-5, 10b-6 and 15c1-2 thereunder. The Court waived disgorgement of gains based upon Ackerly's demonstrated inability to pay.

Litigation Release No. 14597 / August 9, 1995

UNITED STATES OF AMERICA V. JAMES A. MERRIAM, ET AL., Criminal Action No. CR-95-0245 FMS (N.D. Cal.)

The United States Attorney for the Northern District of California and the Securities and Exchange Commission announced that on July 26, 1995, the Grand Jury returned a superseding indictment against James A. Merriam, Harold B. Hayes and William R. Sheppard. The Grand Jury charged all the defendants with one count of conspiracy to commit (1) securities fraud (15 U.S.C. §§ 78j(b), 78m and 78ff and 17 C.F.R. § 240.10b-5); (2) filing false records and making false statements (15 U.S.C. §§ 78m and 78ff and 17 C.F.R. § 240.13b-2); and (3) wire fraud (18 U.S.C. § 1343) and one substantive count of wire fraud (18 U.S.C. § 1343). In addition, Merriam was charged with thirteen substantive counts, including seven counts of securities fraud (18 U.S.C. §§ 78j(b)

and 78ff and 17 C.F.R. § 240.10b-5); and six counts of wire fraud (18 U.S.C. § 1343). Hayes was also charged with ten counts of securities fraud (15 U.S.C. §§ 78j(b) and 78ff and 17 C.F.R. § 240.10b-5); and nine counts of wire fraud (18 U.S.C. § 1343)..

The Indictment alleges that from March, 1990 through August 6, 1990, James A. Merriam and the others manipulated the stock price of Vintage Group, Inc. The company, whose general purpose was to invest in new and developing companies offering long-term growth potential, issued financial statements that substantially overstated the fair value of Vintage's securities portfolio. These false and misleading financial statements were included in the reports on Forms 10-Q and Forms 10-K that Vintage filed with the Commission. In addition, the Indictment alleges that Merriam and Hayes sold stock while possessing material, non-public information.

**BOSTON, MASSACHUSETTS**

**LITIGATION RELEASE NO. 14598 / August 10, 1995**

**SECURITIES AND EXCHANGE COMMISSION v. GENE BLOCK, INDIVIDUALLY AND D/B/A BLOCK CONSULTING SERVICES (United States District Court for the District of Massachusetts, Civil Action No. 95-11748RCL).**

The Commission announced today that on August 8, 1995, the Honorable Reginald C. Lindsay of the U.S. District Court for the District of Massachusetts entered an order temporarily restraining Gene Block ("Block") of Durham, North Carolina, who is doing business as Block Consulting Services, from continuing his fraudulent offering of securities. The Court's order also freezes Block's assets, requires Block to file a sworn accounting, orders the repatriation of investor funds abroad and grants other emergency relief. The relief entered by the Court was entered on the Commission's ex parte motion in connection with an enforcement action alleging that Block was using the Internet to engage in an ongoing, fraudulent securities offering in violation of the antifraud and broker-dealer registration provisions of the federal securities laws.

Specifically, the Commission's Complaint alleges that since at least July 10, 1995, Block has been using the Internet to fraudulently induce members of the public to invest with him by promising to double investors' funds in as little as four months. As an inducement to potential investors, the Defendant has falsely represented that the initial investment is guaranteed against loss because a "Prime Bank Guarantee" will be used as security for the transaction. In fact, there are no legitimate financial instruments known as "Prime Bank Guarantees." Block has also fraudulently represented that investors' funds are doubled by buying and selling "Bank Instruments." However, Block has failed to disclose the nature of the "Bank Instruments," how the trading will generate such unrealistic returns, or the risk that the returns will not be achieved. Neither Block nor Block Consulting Services are registered with the Commission as a broker-dealer, nor are they associated with any broker-dealer registered with the Commission.